

RECEIVED
U.S. ATTORNEY'SFILED RECEIVED
ENTERED SERVED ON
COUNSEL/PARTIES OF RECORD

Nov 5 1 44 PM '04

FILED RECEIVED
ENTERED SERVED ON
COUNSEL/PARTIES OF RECORDIN THE UNITED STATES DISTRICT COURT FOR THE
LAS VEGAS DISTRICT OF NEVADA NOV -5 A 6:29
DISTRICT OF NEVADA

UNITED STATES OF AMERICA,

BY _____ DEPUTY

Plaintiff,

v.

NATIONAL AUDIT DEFENSE NETWORK,
et al.,

Defendants.

CLERK U.S. DISTRICT COURT
DISTRICT OF NEVADA

BY _____ DEPUTY

Civil No. CV-S-04-0455-LDG (IRL)

STIPULATED PRELIMINARY
INJUNCTION**STIPULATED PRELIMINARY INJUNCTION AGAINST DEFENDANTS ALR, INC.
d/b/a SUCCESS MATRIX GROUP; LEE PANELLI, RIC KLINGENBERG, and JEFF
KLINGENBERG**

Plaintiff United States of America has filed a Complaint for Permanent Injunction against, among others, defendants ALR, Inc., d/b/a/ Success Matrix Group, Lee Panelli, Ric Klingenberg, and Jeff Klingenberg ("the Success Matrix-related defendants"). The Success Matrix-related defendants neither admit nor deny the allegations of the Complaint, except they admit that the Court has jurisdiction over them and over the subject matter of this action.

The Success Matrix-related defendants waive the entry of findings of fact and conclusions of law and consent to the entry of this preliminary injunction without admitting or denying that grounds exist for imposition of an injunction.

NOW, THEREFORE, it is accordingly ORDERED, ADJUDGED AND DECREED that:

1. The Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1340 and 1345, and 26 U.S.C. §§ 7402(a), 7407, and 7408.
2. The Court finds that the Success Matrix-related defendants have neither admitted nor denied the United States' allegations that they have engaged in conduct that is subject to penalty

Fax AC; cc RF - Orders

71

under 26 U.S.C. §§ 6694, 6700, and 6701 and that interferes with the enforcement of the internal revenue laws.

3. The Court finds that the Success Matrix-related defendants have consented to the entry of a preliminary injunction pursuant to 26 U.S.C. §§ 7407, 7408 and 7402(a) to prohibit them from: (1) acting as federal-income-tax-return preparers (as defined in 26 U.S.C. § 7701(a)(36)); (2) organizing or selling abusive tax shelters, plans, or arrangements that advise or encourage taxpayers to attempt to evade the assessment or collection of their correct federal tax; (3) engaging in conduct subject to penalty under 26 U.S.C. §§ 6700, 6701, or 6694; (4) engaging in conduct that substantially interferes with the enforcement of the internal revenue laws; and (5) from promoting any false or fraudulent tax scheme.

4. It is further ORDERED, ADJUDGED AND DECREED that, until further order of the Court, the Success Matrix-related defendants, individually and doing business under any other name or using any other entity, and their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them, are enjoined for the duration of this order from, directly or indirectly, by the use of any means or instrumentalities:

- a. Preparing or assisting in the preparation of federal-income-tax returns for others;
- b. Organizing, promoting, or selling the Mallforall, Shopn2000, or TaxBreak2000 website program or any arrangements that facilitate or advocate noncompliance with the income tax laws or tax evasion or misrepresent the tax savings realized by using the arrangements;
- c. Making false representations that:
 - (i) prospective customers may take business tax deductions or credits without regard to whether the individuals have a *bona fide* business or business purpose in claiming the tax deductions or credits;

(ii) prospective customers may claim the 26 U.S.C. § 44 disabled-access tax credit for any website modification; or

(iii) prospective customers may claim the 26 U.S.C. § 44 disabled-access tax credit and § 162 trade or business expense on their federal-income-tax returns, even if they have no *bona fide* business, the expense is not reasonable and necessary, or the business modification is sold along with the business itself;

- d. Engaging in activity subject to penalty under 26 U.S.C. § 6700, i.e., organizing, promoting, or selling a plan or arrangement and making statements regarding the excludibility of income and the IRS's filing requirements or the securing of any other tax benefit that he knows or has reason to know are false or fraudulent as to any material matter;
- e. Engaging in activity subject to penalty under 26 U.S.C. § 6701, i.e., preparing and/or assisting in the preparation of a document related to a matter material to the internal revenue laws that includes a position that he knows will, if used, result in an understatement of tax liability; and
- f. Engaging in other similar conduct that interferes with the administration or enforcement of the internal revenue laws.

5. It is furthered ORDERED, ADJUDGED, AND DECREED that within 15 days of the date of this Order, the Success Matrix-related defendants, at their own expense, shall send a copy of this injunction order, along with a court-approved cover letter, to all persons for whom they have prepared or assisted in the preparation of federal tax returns or to whom they have sold or distributed, either directly or indirectly, the Shopn2000, Mallforall, or TaxBreak2000 tax plans, arrangements, or programs, and, within 45 days of the date of this Order, they shall file with this Court a sworn certificate of compliance.

6. It is furthered ORDERED, ADJUDGED, AND DECREED that the Success Matrix-related defendants shall provide to the United States a list of the names, telephone numbers, addresses, e-mail addresses, and social security or employer identification numbers of all

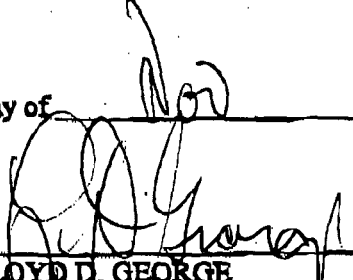
individuals and entities: (1) for whom they have prepared federal tax returns; or (2) to whom they have sold or distributed, either directly or indirectly, the Shopn2000, Mallforall, or TaxBreak2000 tax plans, arrangements, or programs. The Success Matrix-related defendants shall also provide or give unrestricted access to the United States all documents identifying these individuals and entities. The Success Matrix-related defendants shall file with this Court a certificate of compliance within 45 days.

7. Further, the Success Matrix-related defendants must place this order, in its entirety, on the www.successmatrixgroup.com "Home" page (i.e. the first page seen when accessing the website at the listed address), prominently featured at the top so that it is easily visible. The Success Matrix-related defendants shall maintain the www.successmatrixgroup.com website for the duration of this Order.

8. The United States shall be entitled to conduct discovery permitted under the Federal Rules of Civil Procedure to monitor the Success Matrix-related defendants' compliance with the terms of this preliminary injunction. This compliance-related discovery is in addition to any other discovery, including discovery conducted pursuant to a Court-issued scheduling order.

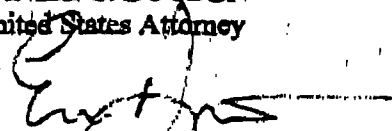
9. Each party to this stipulation shall bear its own costs.

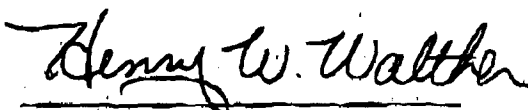
IT IS SO ORDERED this 4 day of Nov, 2004.


LLOYD D. GEORGE
United States District Judge

Stipulation approved as to form and content:

DANIEL G. BOGDEN
United States Attorney


EVAN J. DAVIS
PHYLLIS JO GERVASIO
Trial Attorneys, Tax Division
U.S. Department of Justice
Post Office Box 7238
Washington, D.C. 20044
Telephone: (202) 514-0079
(202) 514-6539
Facsimile: (202) 514-6770
Attorneys for Plaintiff
United States of America


HENRY W. WALTHER
DIRK RAVENHOLT
STEPHEN STEIN
Deering, Walther & Sands
2530 Wilshire Blvd., 3d Floor
Santa Monica, CA 90403
Attorneys for Defendants
ALR, Inc. d/b/a Success Matrix
Group, Lee Panelli, Jeffrey
Klingenberg, and Ric Klingenberg